

GOVERNANCE STRUCTURES FOR NON-PROFIT ORGANIZATIONS (NPOs)

✓ Governance Documents of the NPO

- Charter (Articles of Association)
- Bylaws
- Code of Conduct
- Mission Statement (constitution)
- Corporate Governance Guidelines
- Mandates of the Board
- Mandates of Board Committees
- Mandate of the Board Chair and Committee Chair
- Mandates of the individual directors
- Directors and Officers liability insurance (D&O)

✓ Governance of the NPO

- Is a majority of the directors of the board free of conflicts and fully independent? Or do the directors or their family members have a financial interest in the organization that creates a conflict of interest?
- Does the board have regular scheduled meetings?
- Does the board meet without the presence of management?
- Does the board have separate committee or a full board process for reviewing the financial statements of the organization?
- Does the board have a separate committee or a full board process for regularly evaluating the performance of senior staff and setting their compensation?
- Is there a code of conduct for the directors and the staff? Do the directors have a way to evaluate compliance with the code?
- Is D&O insurance in place with adequate coverages?

✓ Role of the Board of a NPO

- Is it an *operating board* (one that actually does most of the work of the organization with little or no paid staff assistance) or a *governing board* (general oversight responsibility and the day-to-day operations left to a professional paid staff)
- Determining the NPO's mission and purpose
- Selecting the "Executive Director"
- Providing proper financial oversight
- Ensuring adequate resources
- Ensuring legal and ethical integrity and maintaining accountability
- Ensuring effective organizational planning
- Recruiting and orienting new board members and assessing the board's own performance
- Enhancing the NPO's public standing
- Determining, monitoring and strengthening the NPO's programs and services
- Supporting the Executive Director and assessing his or her performance

✓ Effective Meetings of the NPO

- Running effective meetings if the role of the Chair
- Written agendas developed jointly by the Chair (or Committee Chair as the case may be) and the Executive Director

GOVERNANCE STRUCTURES FOR NON-PROFIT ORGANIZATIONS (NPOs)

- Limiting agenda items to allow for adequate discussion – timed agenda items helps keep the meeting within the time allotted
- Focusing principally on strategic and forward-looking issues, rather than reviewing past history
- Using executive summaries and cover memos to help focus attention on important issues and eliminate confusion and the need for time consuming questions
- Using written reports rather than oral reports
- Gathering routine, general business items all together at either the end or beginning of the meeting
- Having draft resolutions prepared in advance and distributed to directors
- Providing agendas, supporting documents and materials to directors at least one week in advance of the meeting to allow ample time for review
- Maintaining order, not allowing small side discussions, or dominance of discussion by a small group
- Establishing a culture of open discussion, respect for all views
- Holding regularly scheduled executive sessions (in camera)
- Documenting actions of the board in concise, written minutes
- Meetings between the Chair and the Executive Director promptly after a board meeting to discuss what went well, what needs to be improved, and what follow up is needed

✓ Characteristics of Dysfunctional or Ineffective Boards

- The board does not have or does not abide by a regular meeting schedule
- At board meetings nothing much happens and many board members don't attend or are disaffected
- Directors don't understand the mission or business of the organization and aren't passionate about either
- Directors don't understand the financial underpinnings of the organization
- Directors or management speak publicly without permission about confidential board matters
- A few directors dominate meetings
- Directors don't understand basic governance principles
- There's a lack of trust and confidence between board and management
- Directors or management speak disrespectfully of others on the board and/or of management

✓ Improving Effectiveness of a NPO Board

- Make a Board Committee responsible for governance issues
- At least once a year, have the committee responsible for governance
 - Look at external trends in governance
 - Compare trends to board practices
 - Recommend adjustments as needed
 - Inform the board about its legal/governance responsibilities
- Review articles of association, bylaws, committee charters, governance guidelines and key policies to ensure:
 - They meet changing governance and legal requirements/standards
 - The NPO actually conducts its affairs in accordance with those documents

GOVERNANCE STRUCTURES FOR NON-PROFIT ORGANIZATIONS (NPOs)

- Create a written document outlining expectations or responsibilities of directors (mandate)
- Define other roles i.e.
 - Role of the Board
 - Create written job descriptions for executive management
 - Create written job descriptions for the board chair
 - Create written charters for board committees
- Define what the NPO is looking for in board members
 - Determine an optimum size for the board and do not allow it to become too large or too small
- Review who is on the board in comparison to what the NPO needs/is looking for
 - Background and skills
 - How engaged are they – time, money, attendance?
- Establish a process for meeting with directors to re-engage those not meeting expectations or prepare them to leave the board
- Consider establishing term limits to ensure that there is always new blood on the board
- Create active dialog with management so the board stays informed
 - About the accomplishment of the NPO's mission and day-to-day operations
 - About the NPO's financial situation
 - About the NPO's competition
 - About the NPO's strategy
 - About the Executive Director's 'dreams'
- Keep committees meaningful and helpful
 - Are their mandates still viable
 - Is the Committee still doing what it is supposed to
 - Establish Committee goals annually
 - Rotate Committee members to avoid entrenched thinking and to spread expertise
- Establish a board orientation process for new directors and a 'board book' to help them get up to speed quickly i.e.
 - Meetings with key staff to understand their roles
 - Meetings with the Board Chair
 - Delivery of a book containing key organizational documents
- Allow directors to take a course on being a board member of a NPO
- NPO should consider joining the Canadian Society of Association Executive (CSAE) as a resource www.csae.com

GOVERNANCE STRUCTURES FOR NON-PROFIT ORGANIZATIONS (NPOs)

√ Where Boards Fail

ISSUES OF CONCERN	STRATEGIES TO ADDRESS CONCERN
Individuals accept an appointment to the board with no knowledge of the job.	Board needs to prepare comprehensive package for potential board members that informs them of what the job entails and is honest about the time and level of commitment required of board members.
Board members arrive unprepared, or simply lack a commitment to their role.	Chair needs to address poor performance with individual members – lead by example.
Board fails to address matters related to mission and vision.	Board needs to be educated about governance. Provide reading materials (books, newsletters) as well as educational opportunities for board members, as well as comprehensive orientation.
Board micro-manages the Executive Director (i.e. does not understand the difference between governance and management).	See above strategy. Find a “champion” on the board to lead the charge for board professional development on governance matters.
Board members don’t ask for or review governance manuals.	Include a section-by-section review of the board manual in an orientation session for new board members.
Chair is weak. Chair not chairing.	More attention needs to be paid to the recruitment process for board members – identify the governance competencies required and do three things: recruit, recruit, recruit!
Some board members play politics or have a hidden or single agenda.	Institute an annual self-evaluation or peer-to-peer evaluation of board member performance. Resist the urge to simplify the nominations process by automatically re-nominating existing board members – performance should play a key role in determining if an individual board member should be asked to continue to serve.
Board makes unrealistic demands of staff.	Executive Director may need to educate board on functions played by staff – benchmarking staff size to not-for-profits of similar budget and scope can be helpful in this respect.
Chair not close to Executive Director.	Executive Director should extend the olive branch – go out of his/her way to ensure ongoing communication.

GOVERNANCE STRUCTURES FOR NON-PROFIT ORGANIZATIONS (NPOs)

√ Where Executive Directors Fail

ISSUES OF CONCERN	STRATEGIES TO ADDRESS CONCERN
Executive Director acts as gatekeeper – determining what information the board will see. Executive Director provides incomplete information or delays transmission of important materials.	Board should establish an “information needs” policy to define what information should be passed on to it by the Executive Director.
Executive Director too close to the board – handpicks board members.	Board should by policy preclude the Executive Director from becoming involved in any manner with the recruitment and selection of board members – this is the board’s job. The Executive Director should advise on process matters only.
Executive Director pulls board into management and/or takes over board agenda.	Policy should be established clearly defining role, authorities and responsibilities of board and Executive Director. Chair can and should refuse to add management items to the board agenda. Also see next item.
Executive Director expects rubber-stamp approval of recommendations.	Executive Directors should not be bringing managerial issues to the board. This may be a sign that the board has an administrator at the helm rather than an Executive Director. If the board wants an Executive Director, they should ensure they hire one. Performance management should not be ignored.
Executive Director resists external audit.	Board policy should make it clear that the board can audit performance and compliance with policy at any time. This is a key element of performance review.